
CAPITAL FUNDS

May 1, 2015 - April 30, 2016

PROPOSED BUDGET

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CAPITAL FUNDS OVERVIEW

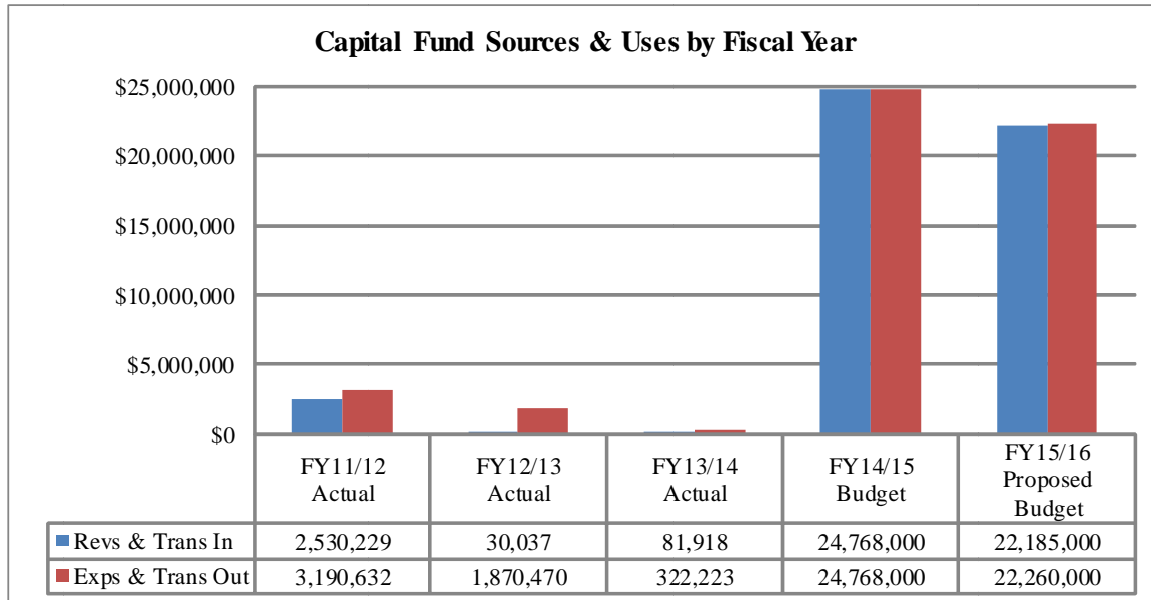
Capital improvements are the bricks-and-mortar type investments that municipalities need to make in order to maintain the City’s infrastructure, buildings, and equipment in fair condition. Utilizing long-term capital financing is a useful mechanism to retain sufficient cash balances in operations, while ensuring the integrity of the City’s property and infrastructure system. Furthermore, it is important for the City to maintain an adequate balance between capital improvements and non-capital expenditures, as both play important roles in the long-term financial health of the City.

Capital Funds account for the City’s investments of this type. A general rule is that only those items that are in single instance in excess of \$50,000 with a useful life in excess of five years would be included in these funds. Water and Sewer capital projects, while they meet the capitalization threshold, are accounted for in the Enterprise Funds and are not included here. Likewise, additional street resurfacing projects funded from the City’s share of the State’s Motor Fuel Tax or economic development projects funded from Tax Increment Financing dollars are accounted for in the Special Revenues Funds. Details of those expenditures may be found in the *Special Revenue Funds* and *Enterprise Funds* sections of this report.

SOURCES & USES OF FUNDS

Total Capital Fund estimated revenues of \$22.185 million are comprised of an estimated \$22 million in bond and notes proceeds, and \$185 thousand in federal or state grants. Total Capital Fund estimated expenditures of \$22.26 million include \$17.55 million in street renewal and replacement, \$3.8 million in land acquisition, \$650 thousand in bond issuance expense, and \$260 thousand in grant expenditures. This operating deficit of \$75 thousand is due to monies transferred to the Capital Fund from the Working Cash Fund in the prior fiscal year to meet grant match requirements.

Revenues	\$22,185,000
Expenditures	-22,260,000
Surplus / (Deficit) before transfers	-75,000
Transfers-In	0
Transfers-Out	0
Surplus / (Deficit) after transfers	-75,000



As demonstrated in this chart, no significant capital investments have been made in the Capital Fund since the 2012/2013 fiscal year. The budgeted plan for the 2014/2015 fiscal year included \$12 million related to Police Facility rehabilitation and / or relocation. Due to the City’s need to raise funds for that project via the issuance of property tax supported debt, the project has not moved forward and is not included in the current 2015/2016 proposal. The 2014/2015 plan also called for \$12 million in roadway improvements; however, due to the timing of the home rule sales tax increase planned to be dedicated for that purpose, those projects did not move forward and are included, instead, as a more robust plan to be implemented in the 2015/2016 and 2016/2017 fiscal years.

STREETS & SIDEWALKS

The City maintains 247 miles of roadway including arterial and residential roads, as well as alleys and sidewalks. Ideally arterial roads are repaired / replaced every 15 years, and



residential roads every 20 years. Due to downward economic pressures on the City’s resources, the City has been unable to follow this ideal renewal and replacement plan for several years. Therefore, the City increased its home rule sales tax effective January 2015 by 0.25%, and has earmarked those new revenues for the specific purpose of infrastructure investment. As a result, the City plans to issue two series of Sales Tax General Obligation bonds during the 2015-2016 fiscal year in order to fund roadway improvements. These bonds will be repaid with the aforementioned projected increase in

home rule sales tax, and will have a secondary pledge of the City's real estate property tax. In order to be able to structure the repayment of the bonds in sync with existing bond issues, as well as entering the bond market when most favorable, the City currently plans to issue \$7.5 million in May 2015, and an additional \$10.5 million in February 2016. A third series of \$12 to \$14 million is planned for issuance in February 2017, depending on the home rule sales tax actual receipts and the spend-down of bond proceeds on hand from the 2015 and 2016 series of bonds. It is anticipated that, over a 3-year period, more than 40% of the City's arterial and residential roadways will be replaced or repaired.

ECONOMIC DEVELOPMENT

The City's economic development projects contemplated in the 2015/2016 fiscal year budget proposal focus primarily on the City's lakefront, and are driven largely by the Master Plan, titled *A 21st Century Vision for Waukegan's Downtown and Lakefront*, adopted by the City Council in 2003. Simply a segment of the plan is illustrated below, and is available in its entirety on the City's website www.waukeganil.gov.



PROPERTY ACQUISITION

The budget proposal includes the potential for borrowing of up to \$4 million in short-term notes for land acquisition. The Master Plan calls for a combination of public and private investment needed to revitalize the City's downtown and lakefront. Only certain projects which are likely to come to fruition in the next fiscal year are included in the current budget proposal. Including short-term borrowing in the 2015/2016 fiscal year budget will allow the City to continue developing downtown and the lakefront by acquiring and banking properties, allowing for necessary pre-development work for new or improved roads and sidewalks, bike paths or open space, or future private development. Acquisition of key properties in downtown and along the lakefront would allow for City control of vacant and deteriorating buildings, land requiring remediation, and consolidation or re-subdivision of properties, making the area a more attractive and flexible development opportunity.

GRANT EXPENDITURES

When possible, the City of Waukegan seeks out grant funding to fund non-recurring capital investments. Included in the 2015/2016 fiscal year budget are two such grant programs. The United States Environmental Protection Agency via the State of Illinois Department of Natural Resources awarded the City a Lakefront Active Implementation. The project totals \$60,000, of which \$35,000 will be funded via federal assistance and \$25,000 will be a local match by the City, Waukegan Park District, Waukegan Port District and the Waukegan Harbor Citizens' Advisory Group. The funded project will engage a planning consultant to generate a tool that will stimulate economic development, preserve natural resources, and enhance the use of the City's entire lakefront. The City will also receive Illinois Coastal Management Program funds for a Waukegan Harbor Sustainable Shoreline Plan to be developed. The primary goal of the project is to promote protection of Illinois' rare dune ecosystem while providing the infrastructure and access to Waukegan's Harbor desired by the recreational and commercial communities. The project totals \$200,000, of which \$150,000 will be funded via federal assistance, and the remaining \$50,000 will be funded by the City.

LINE ITEM DETAIL

Revenues

		FY 2016 PROPOSED
Fnd 307	FIXED ASSETS REPLACEMENT FUND	
Sub 4400	Intergovernmental Revenue	
307 44130	GRANT- Federal	185,000-

Sub 4400	Intergovernmental Revenue	185,000-
Sub 4900	Other Financing Sources	
307 49310	Bond Proceeds	4,000,000-

Sub 4900	Other Financing Sources	4,000,000-

Fnd 307	FIXED ASSETS REPLACEMENT FUND	4,185,000-
Fnd 312	STREET/SIDEWALK REHABILITATION	
Sub 4900	Other Financing Sources	
312 49310	Bond Proceeds	18,000,000-

Sub 4900	Other Financing Sources	18,000,000-

	Report Final Totals	22,185,000-
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Expenses

		FY 2016 PROPOSED
Fnd 307	FIXED ASSETS REPLACEMENT FUND	
Sub 2400	Contractual Services	
307 130724014	Bond Issuance Expenses-Variou	200,000
307 130724489	Grant Expenditures	260,000

Sub 2400	Contractual Services	460,000
Sub 2600	Capital Outlay	
307 130726490	Land Acquisition	3,800,000

Sub 2600	Capital Outlay	3,800,000

Fnd 307	FIXED ASSETS REPLACEMENT FUND	4,260,000
Fnd 312	STREET/SIDEWALK REHABILITATION	
Sub 2400	Contractual Services	
312 131224014	Bond Issuance Expense	450,000

Sub 2400	Contractual Services	450,000
Sub 2700	Capital Improvements	
312 131227619	Street Renewal/Replacement	17,550,000

Sub 2700	Capital Improvements	17,550,000

Fnd 312	STREET/SIDEWALK REHABILITATION	18,000,000

	Report Final Totals	22,260,000
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